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IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

No. 170

E. F. DREW & CO., INC.,

Petitioner,

v.

HARTFORD NATIONAL BANK AND TRUST COMPANY, Trustee and PHILIPS LABORATORIES, INC.

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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E. F. DREW & CO., INC.,
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v.
HARTFORD NATIONAL BANK AND TRUST COMPANY, TRUSTEE, and PHILIPS LABORATORIES, INC.,
Respondents.
No.

PETITION FOR WRIT OF CERTIORARI

Petitioner, E. F. Drew & Co., Inc., prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit, entered on May 9, 1961, in Appeal No. 13,485, in that Court.

Opinions Below

The Opinion of the District Court is reported at 188 F. Supp. 353, 347, 126 U. S. P. Q. 487, and is set forth in Appendix A hereto, *infra*, p. 21. The Opinion of the Court of Appeals is reported at F. 2d , 129 U. S. P. Q. 204, and is set forth in Appendix B hereto, *infra*, p. 49.

Jurisdiction

The judgment sought to be reviewed was dated and entered May 9, 1961; no rehearing was requested. The jurisdiction of this Court is invoked under 28 U. S. C. 1254(1).

Question Presented

Whether, under 35 U. S. C. § 284, "damages adequate to compensate for the infringement" of a patent should be measured by the patentee's loss resulting from the infringement, or whether, as the lower courts have held in the case at bar, such damages may exceed the patentee's loss when the benefits, profits, or advantages gained by the infringer exceed such loss.

The Statute Involved

35 U. S. C. § 284. *Damages*

> "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> "When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> "The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances."

Statement

This action was brought under the Patent Laws of the United States. Jurisdiction was conferred on the District Court by 28 U. S. C. § 1338(a).

Vitamin D_3 is an unpatented substance, obtainable in the open market (4b-5b)* at prices published in trade periodicals (47b-48b). Respondents' patent in suit claims a process for making so-called provitamin D_3, an intermediate substance

*Page numbers followed by "b" refer to Defendant-Appellant's Appendix.

involved in the manufacture of Vitamin D_3. The patented method has been held, in this case, to be greatly superior to other methods for making the intermediate provitamin.*

Petitioner makes and sells animal and poultry food supplements fortified with vitamins. Some of the food supplement products which petitioner sells contain Vitamin D_3, either alone or in conjunction with other vitamins, such as Vitamin A (6b-10b, 12b-13b). During the period from 1948 until the fall of 1956 petitioner purchased part of the Vitamin D_3 which it added to the food supplement products which it sold, and made the rest itself (4b-5b, 10b-11b). The process used by petitioner during this period for making the provitamin D_3 from which, in turn, it made the vitamin, infringed respondents' patent. The total quantity (11,127,332 million International Units) and market value ($487,695.90) of the D_3 made by petitioner with the aid of the patented process are not in dispute.

Title to the patent, issued in 1948, is owned by the respondent Trust Company. Respondent Philips Laboratories is the exclusive licensee, whose task it is to sublicense the industry under the patent (1b). Neither respondent itself is a manufacturer of provitamin D_3, or Vitamin D_3. Thus, what respondents lost as a result of petitioner's infringement was the royalty which petitioner should have paid them for its use of the patented method.

Philips has granted a total of six licenses under the patent, and 90% of all the provitamin D_3 made in this country is made by the patented method (2b). All of Philips' licensees have the same "standard" printed form of license (50b). After the first four licenses were granted by Philips, it offered a license in this same standard form to petitioner, but petitioner refused to accept it (46b).

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*The opinions below upon the interlocutory decree are reported at 133 F. Supp. 648 and 237 F. 2d 594. Petitioner did not seek review of that decree in this Court.

When sued for infringement, in July 1952, petitioner denied infringement and asserted invalidity of the patent. Trial (lasting two days) was held on both these issues in 1955. Petitioner lost, and appealed. The decision was affirmed. The case then went back to the District Court, and was referred to a Special Master for assessment of damages.

Records were submitted to the Master showing the exact amount of Vitamin D_3 manufactured by petitioner during each year of the infringing period. From these amounts the Master was able to calculate the corresponding amounts of the intermediate provitamin made by petitioner.*

Respondents offered testimony and other proofs showing

(a) the royalty due, as measured by respondents' standard license royalty scale, which respondents called "Damages Computed on Basis of Established Royalty Rate," amounting, according to respondents' computations, to $28,307.47 (105b),

(b) the royalty due, as measured by a rate higher than actually paid by respondents' licensees—10% of the sales value of the Vitamin D_3 units made by petitioners—which respondents called "Damages Computed on Basis of a Reasonable Royalty," amounting, according to respondents' computations, to $48,769.59 (106b)**, and

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*The end-product of the patented process is the provitamin—not the vitamin. Before the Master the parties disagreed as to the process efficiency factor to be used in computing petitioner's provitamin production. The Master accepted respondents' figures and computed petitioner's provitamin production (and hence the royalties found to be due from petitioner to respondents) at an amount three times greater than would have resulted if petitioner had been credited with having operated a "reasonably efficient process," *infra*, p. 23.

**Respondents distinguished between their established royalty and this hypothetical "reasonable" royalty on the ground that their established rate was established at a time when "D_3 was a new product commercially . . . was only accepted for animal feed, . . ." (45b), and that, in the present circumstances, one would be willing to pay the higher sum as a business proposition (51b).

(c) the profits alleged to have been made by petitioner on all its net sales of animal and poultry food supplements which contained Vitamin D_3, whether alone or in conjunction with other vitamins and additives.

The Special Master awarded compensatory damages in accordance with respondents' "established royalty" measure—$28,307.47—which the Master also found to be a reasonable royalty.* The Master explained his result as follows:

> "The statutory language and the cases interpreting section 284 leave no doubt that Philips is entitled to compensation for Drew's infringement, which compensation must not be less than a reasonable royalty for Drew's use of Philips' patent. The reasonable royalty in this instance can be determined by the royalty Philips charged licensees for the use of the patented process under the various license agreements. As has been well-stated: 'Where an established royalty for a license is proved, this is the best measure of the value of what was taken by the infringement.' *Faulkner* v. *Gibbs*, 9 Cir., 1952, 199 F. 2d 635 at 638.
>
> "Where there is a guide which establishes as clearly as the license agreements do in the instant case the worth of the patented process (PX 13, 14, 16), it would be arbitrary to disregard Philips' own experience in the market place and to accept Philips' invitation to speculate about its damages over a range extending from $358,082 to $1,289,096.87. *Faulkner* v. *Gibbs*, *supra*, at 639; *Horvath* v. *McCord Radiator & Mfg. Co.*, 6 Cir., 1938, 100 F. 2d 326, 334, cert. den'd, 308 U. S. 581, rehearing den'd, 308 U. S. 636. It is significant that

*The Master recommended doubling the compensatory damages because he thought defendant guilty of wilfullness, or gross carelessness, in its infringement. Neither the District nor the Circuit Court of Appeals followed that recommendation, however, and no issue of increased, or punitive, damages is presently involved in the case.

> in 1952, and perhaps earlier, Philips offered Drew a license agreement similar in all respects to those offered and accepted by other users in the field. R. 184-190; PX 13. Assuming Drew had accepted such a license agreement, the subsequent changes voluntarily made by Philips in the license agreements with other users with respect to price, etc. (PX 14, 16), it is reasonable to assume, would also have been made with Drew. Thus, from the standpoint of compensating Philips as to its damages suffered as a result of Drew's infringement, one can ascertain its primary damages from Drew's refusal to accept a license from the royalty price . . ." (38a-39a)*

The District Court, on respondents' objections to the Master's Report, expressly approved the Master's Finding of Fact No. 6 (49a), that "The established royalty in the case at bar is that specified in the License Agreement, PX 13, 14, 16", *infra*, p. 39, but nevertheless "rejected . . . any recovery based on established royalties", on the ground that such recovery failed to take into account the profits made by petitioner on its sales of products containing D3, *infra*, pp. 37-8. The District Court held that "damages are not what a plaintiff lost but rather 'the benefits, profits, or advantages gained by the defendant.'" *infra*, p. 29. Pointing to the "heavy profits" which petitioner made on its sales of food supplements containing the unpatented vitamin, *infra*, pp. 38, 41, and finding "a precise or mathematical measurement was not available", *infra*, pp. 37-8, 42, the District Court raised the compensatory damages found by the Master approximately tenfold, to $274,082.00** *infra*, p. 47.

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*Page numbers followed by "a" refer to Appendix of Plaintiffs-Appellants.

**In spite of having expressly rejected the established royalty as the basis of compensatory damages, the District Court nevertheless awarded "moratory" interest on its enormously greater and hitherto unliquidated award, retroactively from the actual dates of the infringements, on the theory that such interest "represents damages for delay in payment and compensation for use of plaintiff's money that should have been included in withheld annual royalty statements", *infra*, p. 43.

The District Court explained its rejection of the patentee's loss as the proper standard for the measurement of infringement damages as follows:

> "2. Damages may be measured by the defendant's gain or the plaintiff's loss. Yet, no matter how measured, it can never be less than a reasonable royalty—and, there must be the factor of the infringer's profits to be considered as one of the elements of measurement. The factors selected by a Court for application must be determined in any particular case by the facts and circumstances involved, so, as a matter of fairness and equity the plaintiff receives his injunctive relief and sufficient compensation for the wrong done and, so, defendant may not digest and retain, but must disgorge, his illegal gains. And some Courts have not exercised meticulous care to avoid hardship on the infringer. There should be no special rule indigenous to a person who commits a patent-tort from the liability of a defendant who takes your automobile, your business or your trust fund. In short, 'damages' adequate to compensate for any particular infringement under § 284 should not be based solely on 1. established royalty; or, 2. reasonable royalty; or, 3. profits of an infringer. Cases may be found falling into each of these categories. But this should not be a congealed pattern for recovery, i.e., any particular theory of recovery applied to the exclusion of the remaining two theories of recovery. An enlarging complex of law has sprung from Article 1, Section 8 of the Constitution. This body of law, at least for the last quarter of a century, has been in a state of change. Concepts of invention, and all its allied incidents (including recoverable damages, I think), present new and special problems, as suggested by one of the writers.
>
> "General damages (at law or in equity) are compensatory for the thing taken or the injury sustained. Punitive damages have a specific purpose and mean-

> ing. But the problem in each case is whether a particular plaintiff is entitled to the totality of 'the benefits, profits, or advantage gained by the defendant.' International Industries, Inc v. Warren Petroleum Corp., supra."

The District Court actually arrived at its award in this case by arbitrarily multiplying petitioner's net sales of food supplement products by the 10% rate which respondents had put forward before the Master as "reasonable" *when applied to the far smaller sales value of the Vitamin D_3 units made by petitioner.*

The severity of the District Court's award can best be grasped by reference to the following table, which compares, year-by-year, the damages as assessed by the Special Master, the damages as assessed by the District Court, and the reasonable royalty measure of damages as put forward by respondents at the hearing before the Special Master.

Year	Units of Vitamin D_3 made by petitioner (millions)	Market value of Vitamin D_3 made by petitioner*	Petitioner's net sales of food supplements containing manufactured Vitamin D_3 (with and without other vitamins)	Damages computed on basis of a royalty of 10% of the Vitamin D_3 m
				Amount
1956	526,896	$ 7,903.40	$ 124,579.66	$ 790.34
1955	115,132	2,970.40	20,692.87	297.04
1954	1,269,933	38,098.00	240,816.75	3,809.80
1953	2,202,427	66,072.80	374,385.45	6,607.28
1952	2,417,341	100,078.00	390,606.26	10,007.80
1951	2,132,358	106,617.90	522,991.99	10,661.79
1950	1,078,627	69,032.10	421,437.96	6,903.21
1949	839,718	58,780.30	411,263.59	5,878.03
1948	544,900	38,143.00	234,050.10	3,814.30
		$487,695.90	$2,740,824.63	$48,769.59

*Petitioner did not sell the D_3 which it made, but added it to its food supplen
tioner could have purchased the D_3, rather than make it itself, or the price for wh

ner's net sales of supplements ding manufac Vitamin D_3 h and without r vitamins)	Damages computed by respondents on basis of a reasonable royalty—10% of the market value of Vitamin D_3 made by petitioner		Damages assessed by the Special Master on basis of respondents' standard license royalty scale		Damages assessed by the District Court—10% of petitioner's net sales of food supplements containing manufactured Vitamin D_3	
	Amount	Per cent of market value of Vitamin D_3 made by petitioner	Amount	Per cent of market value of Vitamin D made by petitioner	Amount	Per cent of market value of Vitamin D made by petitioner
124,579.66	$ 790.34	10.00%	$ 833.70	10.54%	$ 12,457.97	157.62%
20,692.87	297.04	10.00	266.22	8.96	2,069.29	69.66
240,816.75	3,809.80	10.00	2,073.80	5.44	24,081.68	63.20
374,385.45	6,607.28	10.00	3,415.88	5.16	37,438.55	56.66
390,606.26	10,007.80	10.00	5,479.07	5.47	39,060.63	39.03
522,991.99	10,661.79	10.00	6,071.54	5.69	52,299.20	49.05
421,437.96	6,903.21	10.00	3,996.26	5.78	42,143.80	61.04
411,263.59	5,878.03	10.00	3,576.00	6.08	41,126.36	69.96
234,050.10	3,814.30	10.00	2,595.00	6.80	23,405.01	61.36
740,824.63	$48,769.59		$28,307.47		$274,082.49	

added it to its food supplement products. The market value here referred to represents the price for which peti- it itself, or the price for which petitioner could have sold the D_3 which it made, had it chosen to do so.

In the end the District Court did speak of its enormous award of damages as having been fixed on the basis of a "reasonable royalty", the minimum basis of measurement authorized by 35 U. S. C. § 284, *infra*, pp. 37-8. "Reasonable royalty", by definition, "represents the amount one would pay for the use of the patent as a business proposition", as the District Court elsewhere said, *infra*, p. 32, and thus, when properly applied, represents a measure of the loss of revenue suffered by the patentee as a result of the infringement.

It is clear, however, both from the context of the District Court's opinion as a whole, and from the result which the District Court reached, as shown in the table, *supra*, p. 9,* that that Court did not compute its award with the limited objective in mind of making respondents whole for the loss which they incurred.

At the hearing before the Special Master respondents introduced expert testimony that a reasonable royalty would be 10% of the market value of the Vitamin D_3 units made by petitioner. That evidence is correctly summarized in the District Court's Additional Findings Nos. 18 and 19, *infra*, p. 41.

In a seemingly reasonable explanation of its application of respondents' "reasonable" rate of 10% to the entire net sales of petitioner's vitamin enriched products, the District Court pointed out, in Additional Finding of Fact 20, that "defendant's sales of products containing D_3 resulted solely because of the D_3, as even defendant's president Drew testified." *infra*, p. 41. Since, however, respond-

*For example, no one "as a business proposition", would have been willing to pay $12,457.97 for the privilege of manufacturing a quantity of Vitamin D_3 which could be purchased in the market for only $7,903.40. Yet, the former sum represents the damages assessed by the District Court for the year 1950, upon a production of Vitamin D_3 worth only the latter sum.

ents have no patent on Vitamin D_3 as such, but only on a partial process used for making it, petitioner could lawfully have bought *all* its D_3 requirements, rather than manufacture a part of those requirements itself, and thereby retained its sales of the food supplement products in question without any liability whatever to respondents. The District Court could not, therefore, have meant, by the explanation quoted above, that petitioner's food supplement sales in question were made possible solely because of *petitioner's infringement of respondents' process patent.*

Moreover, at no time during the proceedings before the Master did respondents' witnesses claim that a prudent business man would have been willing to pay 10% of net sales of supplement products, many of which contained several other vitamins in addition to D_3, for the privilege of making, rather than buying on the market, the quantities of D_3 here involved.

Manifestly, what the District Court did in this case was what it avowed at the outset of its opinion it was going to do—compute its award of damages so as to reflect not only the loss suffered by the patentees but also "the benefits, profits, or advantages gained by the defendant," and the District Court's sometime characterization of its award as a "reasonable royalty" should not be allowed to obscure that fact.

On appeal, the Third Circuit Court of Appeals affirmed, *Per Curiam*, saying, *infra*, p. 49.

> "The case was very thoughtfully considered by the district court who knew both the facts and the law involved. The judge exercised his discretion in making the award he did and we are satisfied that what was done was well within the trial court's discretion."

Reasons for Granting the Writ

1. The court below has decided an important question of federal law which has not been, but should be, settled by this Court.

Importance. The question presented, which has to do with the scope of the monetary recovery to be awarded for infringement of a patent under the new patent Act of 1952, is of obvious and fundamental importance to the patent system. In essence, a patent confers nothing more than the right to invoke, through court process, the remedies provided by statute for infringement. Conversely, those remedies are what, in essential measure, determine the very nature of the patent right itself.

No doubt the most potent remedy given to the possessor of a valid patent is that of injunction against infringement, 35 U. S. C. § 283. But of only scarcely less importance is the right to recovery of damages for infringement provided by 35 U. S. C. § 284.

A patent which entitles its holder to recover the benefits, profits, and advantages gained by an infringer is clearly quite a different thing from a patent which entitles its holder to recover only his loss resulting from its infringement. Accordingly, uncertainty and confusion regarding the proper basis for the measurement of infringement damages has an immediate and important effect upon the very foundations of the patent system.

Settlement of the question presented by this Court is also believed to be important from another standpoint.

This Court has said that "It is . . . important to the public that competition should not be repressed by worthless patents. . . ." *Pope Mfg. Co. v. Gormully*, 144 U. S. 224, 234. Unlike the patent systems of many other

countries, the American system relies to a large extent upon infringement litigation privately instituted in the courts as a practical means of holding in check the number of issued but invalid patents which would otherwise be used by their owners to repress competition. Because of the *ex parte* character of the prosecution of a patent application before the Patent Office, the Office, unlike a Court sitting in an infringement trial, does not receive the benefit of a thorough presentation, by an adversary party, of all possible reasons why the patent should not be granted, and, as a result, many patents are granted which, for reasons not brought to the attention of the Patent Office, should not be.*

*During the 10-year period from 1949 to 1958 considerably more patents were held invalid by the courts, sitting in infringment suits, than were held valid. Committee Print: *An Analysis of Patent Litigation Statistics*, Staff Report of the Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, United States Senate, 86th Cong., 2nd Session, 1961. Regarding this situation, and the reasons which have brought it about, a thoughtful Patent Office spokesman has recently said

> "There is necessarily a distinct difference between the ex parte proceedings in the Patent Office and the review proceedings in the courts under 35 U. S. C. 141 and 145, on the one hand, and inter partes proceedings in infringement suits and declaratory judgment suits on the other hand. This difference is recognized by the courts themselves.
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> "In *In re Thompson*, 26 App. D. C. 419, 425, 120 O. G. 2750 (1906), the court stated:
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> > "In case of ordinary doubt, the policy of the patent system, as customarily maintained in the Patent Office, has been to give the applicant the benefit thereof, because no absolute right of property is conferred by the grant of the patent (Ex parte Fanshawe, C. D. 1891, 203). The patentee is merely put in a position to assert his prima facie right against infringers who may in their defense, raise the question of the validity of the patent, and have the same finally adjudicated in the light of a full presentation and consideration of all the evidence attainable in respect of anticipation, prior knowledge, use, and the like."
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> * * *
>
> "No presently authoritative decision of the Court of Customs and Patent Appeals or of the Court of Appeals for the District

It follows that any rule of decisional law which has a serious effect upon the readiness of persons to resist patent infringement claims brought against them is of obvious importance, in the long run, to the functioning of the American patent system in this respect.

The ruling of the courts below in the instant case is bound to affect the willingness of persons to resist patent claims brought against them, for two reasons: First, the standards announced by the courts below for the measurement of compensatory infringement damages are so vague as to make it extremely difficult, if not impossible, for an accused infringer to predict the consequences of an adverse

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of Columbia Circuit or of the Supreme Court has criticized the Patent Office practice in so resolving reasonable doubts.

* * *

"In most cases, patents are found invalid on the basis of evidence not in the Patent Office record. In some cases, the additional evidence is such that it is not available to the Patent Office, for example, testimony as to prior use or knowledge, testimony pertinent to obviousness to one skilled in the art, and publications not in the Patent Office files."

Committee Print: *Court Decisions as Guides to Patent Office*, Study No. 25 of the Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, United States Senate, 86th Cong., 2nd Session, 1960, pp. 2-4, 6.

The late Judge Jerome Frank, of the Court of Appeals for the Second Circuit, pointed out the inadequacy of private infringement litigation as a check on the threat of invalid patents arising from the inherently circumscribed examination of patent applications by the Patent Office, *Picard* v. *United Aircraft Corporation* (2 Cir. 1942) 128 F. 2d 632, 641-2, and the Senate Subcommittee on Patents, Trademarks, and Copyrights, of the Committee on the Judiciary, has given much consideration of late to the idea of providing for a limited participation by adverse parties in the patent examination process. Senate Report No. 1202, 86th Cong., 2nd Sess., pp. 6-8 (1960). But until some legislative change in the present situation is made, private litigation, inadequate though it may be, will remain an important part of the available machinery for weeding out bad patents from the good ones.

decision by the court, and second, the rule announced by the courts below, that infringement damages are measureable not by what the patentee has lost but by what the infringer has gained, will, in many instances, (as in the instant case), give rise to potential liability far in excess of the royalty demanded by the patentee for the use of his invention.

History of the statute. Both the language and structure of the Patent Act of 1952 differ significantly from the prior law relating to infringement damages, and the proper interpretation of the present law should be settled by this Court, particularly in view of the importance of the question and the divergent views of the Circuits, *infra*, p. 18.

Prior to the passage of the present Act in 1952, the statute preserved a distinction between the recovery obtainable by a patentee in an action at law on the case for infringement, 35 U. S. C. § 67 (1946 ed.), R. S. 4919, and the recovery obtainable in a suit in equity, 35 U. S. C. § 70 (1946 ed.), R. S. 4921.

The pre-1952 provision relating to actions at law, which allowed recovery of, simply, "damages",* came from the Act of 1870, which in turn had been held to have made no change from the previous Act of 1836, which called for "actual damages." *Philp* v. *Nock* (1873) 84 U. S. (17 Wall.), 460. Under this pre-1952 statute this Court, on the law side, uniformly and repeatedly held that patent infringement damages were to be measured by the actual loss, or damage, sustained by the patentee, and not by the profits or gains realized by the infringer, except where such profits or gains evidenced the patentee's own loss of sales. *Seymour et al.* v. *McCormick* (1853), 57 U. S. (16 How.)

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*"Damages for the infringement of any patent may be recovered by action on the case . . ." R. S. 4919.

480; *Corporation of New York* v. *Ransom et al.*, (1859) 64 U. S. 487; *Packet Company* v. *Sickles* (1873) 86 U. S. 611; *Birdsall et al.* v. *Coolidge* (1876) 93 U. S. 64.

The language of the pre-1952 statutory provision regarding recovery in equity* went back only to 1946. Prior to 1946, the equity provision allowed recovery, "*in addition to the profits to be accounted for by the defendant*, [of] the damages the complainant has sustained", (R. S. 4921, Act of 1870), and the purpose of the 1946 amendment was to eliminate the provision for an accounting of defendant's profits.

In the interval between 1946 and 1952 considerable doubt existed as to whether the 1946 amendment deprived patentees altogether of the right to recover the infringer's profits, or whether, under that amendment, patentees could still recover the infringer's profits "as an element of general damages".** Even if it be assumed, however, that the latter was the case, it by no means follows that the 1946 amendment permitted the continued measurement of infringement damages on the basis of the gains realized by the infringer, as such, rather than the detriment suffered by the patentee. Under the old statutory provision governing actions at law, the patentee was allowed to re-

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*". . . general damages which shall be due compensation for making, using or selling the invention . . ." 35 U. S. C. § 70 (1946 ed.). Whether or not a patent suit is equitable in nature depends upon whether an injunction is asked by the patentee against further infringement. *Root* v. *Railway Co.*, (1881) 105 U. S. 189.

**Some commentators thought that the amendment did deprive patentees of the right to the infringer's profits, "limiting recovery to the plaintiff's damages." See, e.g., Wolff, *The Measure of Damages in Patent Infringement Actions under the Act of August 1, 1946*, 28 J. Pat. Off. Soc'y 877 (1946). On the other hand, as the District Court pointed out in its opinion in the case at bar, ". . . the effect of the elimination was considered by the Senate Committee on Patents, when it stated: '. . . the bill did not preclude the recovery of profits as an element of general damages . . .'" *infra*, p. 29.

cover profits upon a showing that but for the infringement he, and not the infringer, would have made those profits, i.e., *profits if and to the extent such profits represented the damage suffered by the patentee*, and the words of the Senate Committee on Patents, quoted by the District Court, *infra*, p. 29, were consistent with an intent to harmonize the equity rule with that law rule. In any event, such questions were not judicially settled prior to the 1952 codification.

The 1952 Act, for the first time, eliminated all distinction between recovery at law and in equity, and provided that the patentee shall recover "damages adequate to compensate for the infringement," without regard to whether the patentee seeks an injunction against further infringement, 35 U. S. C. § 284 (1952 ed.). The present language is new, and unambiguously limits infringement recovery to *damages*—the time honored measure of damages on the law side of the court. Neither the Revisers' Note to 35 U. S. C. § 284, in saying that "This section consolidates the provisions relating to damages in R. S. 4919 and 4921, with some changes in language", nor any other background legislative materials, furnishes any indication that the new provision was intended to carry forward the old, pre-1946 equity law which provided for profits recovery.

The lower courts in the case at bar have taken it for granted, without discussing the point, that the present recovery provision follows the old pre-1946 equity rule, and admits of an award based on the "benefits, profits, or advantages gained by the defendant," irrespective of what the patentee lost, but other Circuit Courts have ruled differently in situations similar in principle to that here present, *infra*, pp. 18-20.

Petitioner submits that the present statutory provision, which speaks solely in terms of *compensatory damages*, was

intended to limit the patentee to recovery of his actual damages, as did the prior provision in actions at law. "Compensatory damages means actual damages." *Birdsall et al. v. Coolidge* (1876) 93 U. S. 64, 69. If petitioner's view is correct, it follows that this case was wrongly decided by the Courts below.

2. The decision below conflicts, in principle, with decisions of the Courts of Appeals of the Fifth and Sixth Circuits.

In *Livesay Window Company v. Livesay Industries* (5 Cir. 1958) 251 F. 2d 469, the Court of Appeals for the Fifth Circuit said, with respect to the proper measure of damages under 35 U. S. C. § 284,

> "Of course the question was how much had the Patent Holder and Licensee suffered by the infringement. And that question was primarily: had the Infringer not infringed, what would Patent Holder-Licensee have made?" (251 F. 2d at p. 471)

In *Livesay* the patentee (unlike the patentee here) was himself a *manufacturer* competing with the infringer in the very business covered by the patent, and so the court there properly measured the damages by the profits which the patentee would have made on its lost sales. But the principle followed by the court, in *Livesay*, was clearly stated as follows:

> "If in all reasonable probability, the Patent Owner would have made the sales which the Infringer has made, what the Patent Owner in reasonable probability would have netted from the sales denied to him is the measure of his loss, and the Infringer is liable for that. *Profits, as such, are not recovered as the broadening amendment to the statute, 35 U. S. C. A. § 284, makes so clear.** The

*Emphasis added.

> profit is but the true measure of that which infringement has taken from the patent owner for, 'whatever may have been the practice prior to the recent statutory amendments, the general damages *now* recoverable are the detriments suffered by the plaintiffs through the infringement.' Laskowitz v. Marie Designer, Inc., D. C. Cal., 119 F. Supp. 541, 554." (251 F. 2d at pp. 471-2)

That principle, whereby the court looked *solely* to the patentee's loss, and not to the infringer's gain, is clearly inconsistent with the decision in the case at bar.

The Court of Appeals for the Sixth Circuit, in *Cold Metal Process Company* v. *E. W. Bliss Company* (6 Cir. 1960) 285 F. 2d 231; cert. denied 366 U. S. 911 (1961), has also interpreted 35 U. S. C. § 284 as limiting compensatory infringement damages to the patentee's loss.

In *Cold Metal* the issue was whether a patentee who had granted to another the exclusive right to use the patented invention, thereby precluding himself from using that invention in his own business operations, could recover as damages, more than his lost royalties, at the rate set forth in the exclusive license, in a suit against a third party for infringement. The court held that he could not, saying

> "The grant of an exclusive license to United to 'make, use and sell' the mills in question limited Cold Metal's income from patent 195 to the stipulated royalty for each mill. The ruling complies with the fundamental purpose of that contract, even though some of the mills were manufactured by Bliss instead of by United. To allow Cold Metal to recover more than the royalty for each mill would place it in a better position by reason of the infringement than it would have been in if there had been no infringement. Any claim for damages against Bliss and Greer equitably runs in favor of United rather than in favor of Cold Metal as the legal

> owner of the patent, because of the exclusive license given to United to 'make, use and sell' the mills." (285 F. 2d at p. 241)

It is hard to perceive any difference, in principle, between the situation which confronted the court in *Cold Metal* and that here involved. In each case, because of the manner chosen by the patentee for exploiting his patent—licensing rather than actual use of the invention—the patentee's loss was measurable in terms of lost royalty income rather than lost profits. The Sixth Circuit Court of Appeals restricted the patentee to recovery of his actual loss, but the courts below, in the instant case, have awarded recovery in excess of the patentee's actual loss, on the ground that, under the statute, "defendant may not digest and retain, but must disgorge, his illegal gains", *supra*, p. 30.

Conclusion

Because the question involved in this case is of importance to the future administration of the patent system, and because of the divergent views of the Circuits upon that question, it is respectfully submitted that this Court should grant the writ.

WILLIAM J. BARNES
Counsel for petitioner

Of Counsel:

JAMES M. TUNNELL, JR.
STUART A. WHITE

Appendix A

OPINION OF THE DISTRICT COURT, JULY 26, 1960.

Arthur G. Connolly, Esquire, and Januar D. Bove, Jr., Esquire (of Connolly, Cooch & Bove), Wilmington, Delaware, attorneys for plaintiffs.

Ernest S. Wilson, Jr., Esquire (of Morford, Young & Conaway), Wilmington, Delaware; William J. Barnes, Esquire, Stuart A. White, Esquire, and Roger R. Phillips, Esquire (of Fish, Richardson & Neave), New York, New York, attorneys for defendant.

LEAHY, *Senior District Judge.*

This is a patent infringement suit. The patent (2,441,-091) was held valid and infringed (Claims 12 and 24). D. C. Del. 133 F. Supp. 648. The judgment was affirmed (per Biggs, C. J.), 3 Cir., 237 F. 2d 594. The trial judge then appointed Irving Morris, Esq., a Master "to take and report an account of such damages" suffered by plaintiff (Philips) by reason of defendant's (Drew's) infringement. Facts and technical discussion of the patented process appear in the cited opinions.

The Master's report is confined to damages. Both sides have filed exceptions to his report.

THE MASTER'S REPORT.[1, 1a]

The apposite statute is noted.[2] The Master recognized § 284 serves as a guide, but the decisional law has followed

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1. Plaintiff's exceptions:

(a) The Master computed damages on the basis of established royalty instead of basing damages on defendant's profits.

(b) He changed his Draft Report by reducing an award of treble damages to double damages.

(c) He failed to compute and increase an award of interest because of the willful infringement.

1a. Defendant's exceptions:

(a) No exception to the finding of the base figure of damages of $28,307.47 but objection to the finding the infringement "was willful and deliberate, or at least grossly careless" and the doubling of the damages to $56,614.94.

(b) The award of $20,724.65 to plaintiff for its attorney's fees.

In support of the objections to double damages and attorney's fees, defendant makes specific objections:

several paths: 1. reasonable royalty; 2. established royalty; 3. profits earned by an infringer. Plaintiff urged before the Master certain approaches under the various theories of damages.

Plaintiff argued it was entitled to defendant's entire gross profits because of commingling the processed product (covered by the patent) with other products sold by defendant and which made it impossible to apportion defendant's profits from its total sales of *all* its products. Moreover, it was argued, defendant's mark-ups also form the basis of estimating profits for awarding damages. In addition, treble damages were sought for willful infringement. But defendant argued plaintiff was entitled merely to a reasonable royalty, i.e., to be determined by the established royalty paid to plaintiff by its other outstanding (4) licensed users.

The Master recognized plaintiff's "compensation must not be less than a reasonable royalty for [defendant's] use

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1a. (Continued).

(1) Neither Judge Leahy nor Judge Biggs found willful infringement.

(2) Defendant had a reasonable basis for a defense.

(3) There was nothing improper in defendant's reduction of its prior art references from 24 items to 2.

(4) Defendant's failure to justify its position in originally refusing a license offered by plaintiff has no import.

(5) Inconsistencies in testimony of defendant's witnesses supported no inference of bad faith. [Cf. defendant's witnesses Ritter and Plumaker.]

(6) Defendant's defenses of invalidity and non-infringement were far from insubstantial.

2. 35 U. S. C. A. § 284:

"Upon finding for the claimant the court shall award damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances. July 19, 1952, c. 950, § 1, 66 Stat. 813."

of [plaintiff's] patent."[3] Where outstanding license agreements established a royalty, the Master said "it would be arbitrary to disregard [plaintiff's] own experience in the market place and to accept [plaintiff's] invitation to speculate about its damages over a range from $358,082, to $1,289,096.87." [4, 4a] The Master found it significant that before the instant litigation, plaintiff had offered defendant a license agreement similar to those accepted by other users in the field. The Master said: "from the standpoint of compensating [plaintiff] as to its damages suffered as a result of [defendant's] infringement, one can ascertain its primary damages from [defendant's] refusal to accept a license from the royalty price (based upon grams of provitamin D_3) and the number of millions of international chick units of vitamin D_3 produced by [defendant] from [plaintiff's] patented process, after converting the vitamin D_3 units to grams of provitamin D_3 assuming a reasonably efficient process, since [defendant's] operation was admittedly inefficient, multiplying the result by a factor of 3."[5] Before the Master, defendant attacked such calculations because damages are recoverable only from the date of notice of infringement.[6] Defendant suggested further the

3. "Where an established royalty for a license is proved, this is the best measure of the value of what was taken by the infringement." Faulkner v. Gibbs, 9 Cir., 199 F. 2d 635, 638.

4. These figures are suggested base figures and do not include plaintiff's claim for treble damages based on willful infringement.

4a. Faulkner v. Gibbs, supra; and Horvath v. McCord Radiator & Mfg. Co., 6 Cir., 100 F. 2d 326, 334, cert. den. 308 U. S. 581, rehearing den. 308 U. S. 636, were cited by the Master.

5. In a reasonably efficient process, one gram of provitamin D_3 produces 20 million international chick units of vitamin D_3. Testimony of defendant's expert Watkins, as to the multiplication factor to be used to compensate for the inefficiency of defendant's operation was "3" or "4". The Master adopted the lower of the two figures.

6. Defendant overlooked the fact the patent in suit was a process patent, so no notice was required. 35 U. S. C. A. § 287; U. S. Mitis Co. v. Carnegie Steel Co., C. C. Pa. 89 F. 206; Wagner v. Corn Products Refining Co., D. C. N. J. 28 F. 2d 617.

established royalty rate (found in outstanding licenses) should be reduced because, if guilty, defendant infringed only one patent, whereas the established royalty in outstanding licenses was based upon two patents and six applications.[7] The Master concluded: "If established royalties are the measure, the infringer must pay them whether he infringed one patent or eight patents. [Defendant] having tortiously used the invention, seeks by its argument to place itself in a better position than [plaintiff's] licensees who lawfully used the invention."

Finally, defendant contended plaintiff's multiplication factor was erroneous in computing established royalties. Plumaker for defendant testified a. he had never isolated provitamin D_3; b. defendant's process was uneconomical in making dehydrocholesterol and converting it to vitamin D_3; c. the approximate efficiency of converting cholesterol into dehydrocholesterol was 15 to 40 to 50%; and, d. the overall process efficiency from cholesterol to vitamin D_3 was 10%. The Master found, however, Plumaker's testimony supported plaintiff's position; and Watkin's testimony for plaintiff likewise justified plaintiff's calculations.[8]

The Master found primary damages of $28,307.47 because he said they were: "based upon the reasonable royalty which [plaintiff] would have been entitled to receive and would have received from [defendant], had a license

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7. The record before the Master showed, however, the same royalties must be paid by licensees whether they operate under one or more of plaintiff's patents included in the outstanding licenses.

8. By stipulation the parties agreed plaintiff was not entitled to damages based upon use of vitamin D_3 purchased by defendant from a company which had in turn purchased it from an associated firm of plaintiff who was a licensee. Hence, such vitamin D_3 purchased by defendant was not taken into account in computing plaintiff's damages. The stipulation arose after the Master had in his Draft Report, which was first submitted to counsel, found a base damages of $40,321.41. After the stipulation such primary damages were reduced as shown in the text.

agreement with its established royalties been in effect between the parties during the period of infringement."

Plaintiff at all times sought treble damages, attorney's fees, interest and costs based upon willful or "grossly careless infringement." The Master was not free from doubt because of the statutory language, § 284, whether he had the power to increase damages. But, the Master concluded he had power to award more than primary or base damages if the facts would support such a conclusion."

The Master's Report[10] then reads:

"The opinions of Chief Judge Leahy and Chief Judge Biggs and the record before me[5] leave no doubt that defendant's infringement in the instant case was willful, or, put in the best possible light to defendant, so grossly in disregard of the rights of plaintiff as to amount to willfulness.

"Before trial [defendant] relied on 24 items of prior art. At trial reliance was narrowed to two publications: a. the Wohl, and b. the Ziegler articles. No other ground of invalidity was pleaded nor was other evidence on any other ground introduced at trial. 133 F. Supp. 648 at 650. Chief Judge Leahy found as a fact that defendant conceded that 'Wohl was not concerned with the essential inventive step . . . .' *Ibid.* at 651. As to the Ziegler article, Chief Judge Leahy found it had been before the Patent Examiner

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9 Compare, Russell Box Co. v. Grant Paper Box Co., 1 Cir., 203 F. 2d 177, 181, cert. den. 346 U. S. 821; [illegible] Manufacturing Company v. Laveau, 5 Cir., 232 F. 2d 469, 475-476.

10 The Master's R[illegible] A very slight change only has been made in the [illegible]

"5. The record before me [illegible] for more than a year after Chief Judge Leahy's [illegible] December 20, 1955. R. I. 20. At [illegible] plaintiff as to damages [illegible] unwillingness to [illegible] in court as a [illegible] in determining the issue of treble damages."

and was overcome in the prosecution of the application on which the patent issued. *Ibid.* As the Court pointed out (*Ibid.*) defendant conceded that 'While Ziegler may have suggested a path in the forest, he never pointed it out, nor did he walk down it.' Chief Judge Leahy concluded: 'I do not believe a general synthetic organic chemist with no expertise in the chemistry of the sterole, given Wohl and Ziegler (nothing else) could produce the substance resulting from the process of the patent by making use of general chemical information. At least no such chemist so testified.' *Ibid.* In every particular the opinion of the Circuit Court affirmed Chief Judge Leahy's findings and conclusions.

"Yet defendant's only bases for asserting the invalidity of the patent were the two articles by Wohl and Ziegler.

"If an infringer may take unto himself the invention of another without any bona fide or reasonable basis for so doing and run the risk of only having to pay at some future time a reasonable royalty for his use of invention, a premium would be placed upon the act of a wrongdoer, the rights of the inventor under his patent would become illusory,[6] and responsible people dealing in the patent field would be encouraged to disregard lawful property rights and participate in a lottery with the winning ticket stamped 'invalid'.

"Defendant's claim that it had 'good reason' to contest the patent and that it acted in 'good faith' (DB18) cannot be squared with the opinion of the District Court and the conclusion of the Circuit Court holding that: 'There is no

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[6] The patent holder in the instant case was fortunately in a position financially to undertake vindication of its rights in the courts. An impecunious holder of a patent may well be unable to afford the expense attendant to defending his rights secured to him by his patent."

question but that defendant has infringed [plaintiff's patent].' 237 F. 2d at 590. This is not a case where in good faith a reasonable doubt could have existed in the mind of the infringer. Where an alleged infringer takes an untenable position on the validity of the patent, and, at great expense and damage, the patent owner succeeds in establishing his claim in court, the infringer should bear not only the responsibility of making the patent owner whole, but also a penalty for his contumacious conduct. 35 U. S. C. § 284; *Russell Box Co. v. Grant Paper Box Co., supra; Activated Sludge, Inc. v. Sanitary Dist. of Chicago,* N. D. Ill. 1946, 64 F. Supp. 25, 34-35, aff'd *per curiam,* 1946, 157 F. 2d 517; *Livesay Window v. Livesay Industries, Inc., supra.* In this case I believe the record summarized in this report warrants doubling the damages and allowing plaintiff its counsel fees.

"An additional word of explanation is in order with respect to the doubling of damages. In a draft report submitted on July 31, 1959, to the parties pursuant to Rule 53(e)(5), I increased the damages by trebling them. I did so under my then erroneous view that defendant had persisted in infringing plaintiff's patent after Chief Judge Leahy issued a permanent injunction in September, 1955, which I thought would unquestionably make this case 'a classic example of a willful and wanton violation of a patent,' i.e., continued infringement despite an order of the court. Because I considered violation of the Court's order in these circumstances so significant, I considered treble damages entirely warranted. The fact is, however, that by a stipulation in November, 1955, a supersedeas bond was entered having as one effect a postponement of the injunctive order until after a review and adjudication of the case

by the Court of Appeals. Since I had ignored the November, 1955 stipulation in arriving at the tentative determination set forth in the draft report, I have reviewed the entire case carefully after receiving suggestions from counsel (which, I add, have been most helpful), and I have concluded that the damages should not be increased by trebling them, but that, based on what unquestionably appears to me as defendant's lack of good faith in contesting the patent, the damages should be doubled. I add by way of explanation and not of excuse (I, of course, assume full responsibility for the error), that counsel who tried the case before Chief Judge Leahy and undoubtedly knew of the November, 1955, stipulation, both apparently overlooked the stipulation when they appeared before me. The Record before me reads (R18):

> 'MR. H. C. BIERMAN: I am going to object to this line of examination. I don't think it is at all pertinent here. The fact that we ceased is the only fact that is pertinent.
>
> MR. CONNOLLY: This has a very definite bearing, your Honor, on the question of damages, because the time to which this witness was referring was long after this company was under an injunction, and it bears directly on the wilfulness and the treble damages.
>
> This company has been in this business violating the injunction for a long time after it was issued, so I submit it is most material to the issues before your Honor.
>
> MR. H. C. BIERMAN: The only thing material is the time when we ceased making, as far as this witness is concerned.'

"I conclude, therefore, that defendant should pay plaintiff damages in the amount of $56,614.94 (i.e., plaintiff's

primary damages doubled), its reasonable attorneys fees, which I find to be in the sum of $19,150,[7] and its disbursements of $1574.05, interest from the respective dates when royalty payments would have been made by defendant had plaintiff taken a license such as those plaintiff had granted to others, and costs of the case and this proceeding.

"Hereto attached and made a part of this report are the specific Findings of Fact[11] and Conclusions of Law upon which this report is based.

IRVING MORRIS
Special Master"

1. The final chapter of this litigation concerns damages. The most recent statement is contained in International Industries, Inc. v. Warren Petroleum Corp., 3 Cir., 248 F. 2d 696, where the Court discussed the close analogy between damages for a purloined trade secret and for patent infringement, and held damages are not what a plaintiff lost but rather "the benefits, profits, or advantages gained by the defendant."

Before 1946, 35 U. S. C. A. § 284 used the word "profits". The 1952 subsequent codified version[12] of the patent laws left this out. But, the effect of the elimination *was* considered by the Senate Committee on Patents,[13] when it stated: "* * * the bill did not preclude the recovery of profits as an element of general damages * * *." And cases since have held profits of an infringer are a proper

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"7. The parties have stipulated that counsel for Philips has billed Philips $19,150 for services. See Stipulation of [illegible] Oct. [illegible], 1959. Brown's agreement as to the fact of the amount of the billings was, of course, without prejudice to its position, vigorously asserted, that such an allowance is not warranted in this case."

11. Consideration of the findings of the Master may be found attached to this opinion, infra.

12. July 19, 1952, c. 950, § 1, 66 Stat. 813.

13. Report No. 1503, July 14, 1946, 1946 U. S. Congressional Service pp. 1386-87.

factor in considering damages where other measures are not totally adequate.[14] Where the commercial value of a product is increased by the use of the patented process and infringement is present, profits are considered a relative element.[15] This Circuit in defining a reasonable royalty to be an established royalty, as the amount which an infringing party using another's patent must pay, did not exclude, I think, consideration of all other factors, including the tort-feasor's profits, in arriving at the patent owner's damages.[16] For example, the nature of the invention, its utility, its novelty over and advance in the art, and the extent of its use by the infringer, are entitled to judicial consideration.[17]

2. Damages may be measured by the defendant's gain or the plaintiff's loss. Yet, no matter how measured, it can never be less than a reasonable royalty—and, there must be the factor of the infringer's profits to be considered as one of the elements of measurement.[18] The factors selected by a Court for application must be determined in any particular case by the facts and circumstances involved, so, as a matter of fairness and equity the plaintiff receives his injunctive relief and sufficient compensation for the wrong done and, so, defendant may not digest and retain, but must disgorge, his illegal gains. And some Courts have not exercised meticulous care to avoid hardship on the infringer.[19] There should

14. National Multiweaving Company v. O'Keefe, D. C. Miss., 135 F. Supp. 151, 154; Laskowitz v. Marie Designer, Inc., S. D. Cal., 119 F. Supp. 541, 555; Graham v. Jeoffrow Mfg., 5 Cir., 253 F. 2d 72.

15. Carborundum Co. v. Electro Metallurgical Co., 3 Cir., 253 F. 97, cert. den. 34 S. Ct. 323, 261 U. S. 784; Faulkner v. Gibbs, 9 Cir., 199 F. 2d 635.

16. See Randolph Laboratories, Inc. v. Specialties Development Corp., 3 Cir., 213 F. 2d 872; Maris, J.

17. American Tel. & Tel. Co. v. Radio Audion Co., D. C. Del., 5 F. 2d 535.

18. Wedge, et al. v. Waynesboro Nurseries, Inc., et al., D. C. Va., 131 F. Supp. 638.

19. Filtex Corp. v. American Asbestos, 9 Cir., 216 F. 2d 443; Horvath v. McCord Radiator & Mfg. Co., 6 Cir., 100 F. 2d 326.

be no special rule indigenous to a person who commits a patent-tort from the liability of a defendant who takes your automobile, your business or your trust fund. In short "damages" adequate to compensate for any particular infringement under § 284 should not be based solely on 1. established royalty; or, 2. reasonable royalty; or, 3. profits of an infringer. Cases may be found falling into each of these categories. But this should not be a congealed pattern for recovery, i.e., any particular theory of recovery applied to the exclusion of the remaining two theories of recovery. An enlarging complex of law has sprung from Article 1, Section 8 of the Constitution. This body of law, at least for the last quarter of a century, has been in a state of change. Concepts of invention, and all its allied incidents, including recoverable damages, I think present new and special problems, as suggested by one of the writers:[20]

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20 Recently it has been said by Chief Judge Biggs (Dynamics of the Patent System, 1958, 11 Vand. L. Rev. 1, 13):

"Many years have passed since that real or apocryphal Patent Office Examiner resigned because he saw nothing left to invent and felt there was no future in his job. Today the situation is exactly the opposite. . . . Like a rocket ship, our patent system has become the . . . perfection and the complexity . . . I do not agree with . . . that . . . The structure of our republican form . . . [illegible] . . . litigation are . . . [illegible] . . . Patent lawyers . . . these are . . . which patents . . . less . . . [illegible] . . . the patent . . . [illegible] . . . the . . . [illegible] . . . the . . . [illegible] . . . the

General damages (at law or in equity) are compensatory for the thing taken or the injury sustained. Punitive damages have a specific purpose and meaning. But, the problem in each case is whether a particular plaintiff is entitled to the totality of "the benefits, profits, or advantage gained by the defendant." International Industries, Inc. v. Warren Petroleum Corp., supra.

3. One measure of damages in infringement cases is on an established royalty basis which is the royalty paid by others in an industry and which indicates a general acquiescence in the value of the invention. In contrast, if a reasonable royalty base is applied, this represents the amount one would pay for the use of the patent as a business proposition, after evaluating the novelty of the invention, its utility and advantages. Faulkner v. Gibbs, 9 Cir., 199 F. 2d 635. A reasonable royalty is often higher than an established royalty for the latter is usually based upon agreements negotiated before the patented invention is broadly recognized and before the patent stands the test of judicial scrutiny. The lowest return for a measure of damages would be on the basis of an established royalty.

4. But, here, defendant's production records before the Master should be increased on a monetary basis to compensate for the admitted inefficiency of defendant's operations. When this is done, the testimony demonstrates that damages computed even on the basis of established royalties would be about $53,701.88. To take a reasonable royalty as a measure of damages, a figure of 10% of the sale price of defendant's vitamin D_3 was considered reasonable under the evidence before the Master.[21] The sales prices

21. Both the statute (§ 284) and the cases say testimony of an expert is admissible. See, International Vitamin Corp. v. E. R. Squibb & Sons, E. D. N. Y., 13 F. Supp. 129; Excel Auto Radiator Co. v. Bishop & Babcock Mfg Co., D. C. Ohio, 125 F. Supp. 315, aff'd 212 F. 2d 586.

of vitamin D₂ are in the record. The statute itself provides awarded damages shall in no event be "less than a reasonable royalty". Since sales of defendant's products containing D₂ could be computed on the total sales figures of $3,580,824,063—10% of such figure would be $358,082,00 to form the basis of a reasonable royalty return.

5. Considering defendant's profits as a factor to arrive at a figure for plaintiff's damages, the record before the Master establishes an area between $685,818,90 and $1,289,090,87. The Master made no findings with respect to defendant's profits, however, because he was of the view it was unnecessary as he based plaintiff's award on an "established" or "reasonable" royalty base. But the evidence on defendant's profits as found in the record is not without interest. There was an accounting (The Richards and Ganly Report) which merits examination. Defendant's president so admitted.[22] The Report is based upon assumptions, conclusions and beliefs—unverified because of absence of defendant's records.[23] The spot tests method was used.[24] *In fact*, only "spotty" records were available for the Report.[25] There was an absence of necessary records for computing costs and stating profits.[26] The Report was so inaccurate its authors would not certify it.[27] Because there apparently was an accounting confusion as to the type of vitamin units discussed, a significant 4 to 3 error was made in the total production figures.[28] A check of the computations revealed arithmetical error.[29] Errors resulted

22. R. 476-78; 480 497-99.
23. R. 123-25; 283; 284, 339-41; 328; 339; 368.
24. R. 125-26; 157; 158; 283; 293; 334; 448-50 284, 374-75; 128.
25. R. 128; 160; 349.
26. R. 128; 150; 143; 281; 312; 313; 342-43, 357; 363-64; 445.
27. R. 141-42; 144; 296.
28. R. 149-50.
29. R. 317-18.

from the way cost and expenses were constructed and allocated. For example, cost was taken for part of a year and then assumed appliable for the entire year and preceding year without regard to actual cost and the shifting increase or decrease of cost.[30] Then percentage of costs was arbitrarily allocated from one year and applied to others.[31] Variations in both costs and sales were not considered.[32] As to certain cost and expense items no rates or figures were given—only arbitrary allocations were made.[33] No cost or expense item of vitamin D_3 was segregated by product—vitamin D_3 was simply assigned a share of cost and expense regardless whether this product was responsible for any portion of that cost or expense.[34] Even administrative expense was not segregated by division.[35] In sum, nowhere in the Report is it shown vitamin D_3 was responsible for any of the cost or expense attributed to it.[36]

6. Manifestly the basic theory of the accounting Report (allocation of expenses and costs on the basis of dollar volume of sales) lacks probative value since it shows no portion of costs and expenses attributable to vitamin D_3. But the Report cannot exculpate defendant for its infringement for 8 years, neither can it be tossed in the judicial waste basket, for it does show for that period sales of vitamin D_3 products amounting to $3,580,824.63. The gross profits of defendant's sales of products containing vitamin D_3 are set forth in the record. For the purposes of this case these figures of defendant's own selection will be accepted for the finding of an award to go to plaintiff.

30. R. 136; 286.
31. R. 286-87.
32. R. 288.
33. R. 292.
34. R. 294-95; 319.
35. R. 296.
36. R. 299-300.

7. One accounting expert was of the opinion there were several methods of computing defendant's profits other than the fictitious reconstruction and allocation of costs used by defendant. An acceptable method would show profits on defendant's sales of its product *without* vitamin D$_2$ as compared with profits from sales of the same products *with added* vitamin D$_2$.[36a] Sales of vitamin D$_2$ concentrate alone should have been shown.[37, 37a] But none of this evidence was forthcoming from defendant. In fact, defendant's president could not explain why defendant stopped keeping records after the suit at bar was started but records were kept after judgment was given for plaintiff.[38] Defendant was a "one-man" company. Yet its president paid no attention to the instant litigation,[39] never attempted to ascertain if his company was infringing,[40] was never advised when the Court's injunction was issued.[41]

There is available, however, another method of computing defendant's profits e.g., defendant's mark-up of products using vitamin D$_2$. Defendant's sales records show mark-ups from 22% to 50%, or an average of 36%. In addition, one expert showed mark-ups in the vitamin field of from 60% to 150%.[42] Dollar volume of sales were shown and with a fair mark-up of only 36% there would result a profit involving D$_2$ products of $1,289,090.87. All this is

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36a. R. 361.

37. R. 299.

37a. Where defendant carelessly construed the patent as invalid and failed to cooperate in preserving records, an allowance of 10 times a reasonable royalty, together with counsel fees, was allowed. Russell Box Co. v. Grant Paper Box Co., 1 Cir., 203 F. 2d 177 cert. den. 346 U. S. 821.

38. R. 478-79.

39. R. 484.

40. R. 490.

41. R. 506. Even where an infringer acts on advice of counsel it does not avoid increased liability. Duplate Corp. v. Triplex Safety Glass Co., 7 Cir., 81 F. 2d 352, modified on other grounds 298 U. S. 448; see too, Kartaphi Laboratories, Inc. v. Specialtie Development Corp., 3 Cir., 215 F. 2d 873.

42. R. 204.

on the basis of defendant's own records. Where infringement is palpable, the injunctive process issues, and when the established royalty measure of damages is inadequate, a proper measure of damages includes a consideration of profits (not, however, a total award of the profits) as one of the elements gained by the defendant's illegal use of the patent.[43]

The expert testimony shows a reasonable royalty to be 10%. Then there is the Richards-Ganly Report which shows sales of products containing D_3 of $3,580,824.63. Defendant's president stated these sales resulted because of the vitamin D_3.[44] Aside from defendant's substantial profits, a reasonable royalty, on the last figures noted, would be $358,082.00. The award by the Master of merely $28,307.47 is obviously "less than a reasonable royalty" and could be said to violate the statutory minimum.

8. Much consideration was given by the parties to whether the obvious infringement was willful. It apparently worried the Master, too. He first found the infringement willful enough to treble the base-damages he arrived at. Then after further presentation by the parties he cut it to double damages. The record makes available a narrative which proves the defendant's infringement was far from accidental. Defendant's production manager admitted use of the patented process since 1948[45] when de-

43. National Multiweaving Company v. O'Keefe, supra; Laskowitz v. Marie Designer, Inc., supra; Graham v. Jeoffroy Mfg. Co., supra; Sel-O-Rak Corp. v. Henry Hanger & Display Fixtures Corp., S. D. Fla., 159 F. Supp. 769, aff'd, 5 Cir., 270 F. 2d 635; Wedge, et al. v. Waynesboro Nurseries, Inc., et al., D. C. Del., 31 F. Supp. 638.

Defendant cites Widenski v. Shapiro, Gern tein & Co., 2 Cir., 147 F. 2d 909. But it merely holds the reasonable royal y measure applies only where the harmed plaintiff *"cannot prove either their actual damages or the defendant's actual profits with a means to escape the hollow victory of an award of purely nominal damages."* (Emphasis supplied.)

44. R. 486.

45. R. 6.

fendant began its large commercial use of plaintiff's patent[46] which had issued only a month preceding.[47] This was no chance use of plaintiff's process: patent experts, in fact, put defendant's process in operation.[48] In 1950 defendant was offered a license under the patent in suit, the same licensed patent as other companies in the industry were operating under.[49] An analysis of defendant's behavior pattern of infringement over the years, post and ante suit, offers a choice where reasonable judges could differ on whether the infringement was willful enough to support treble or double damages. In short, decision, in the instant case under the facts, is well within the area of legitimate difference of opinion as to whether plaintiff should have its base-damages multiplied. But, this compensatory technique selected by the Master is not wholly required. Moreover, any recovery based on established royalties is rejected.[50] The statute itself (§ 284) provides for nothing "less than a reasonable royalty for the use made on the invention by the infringer, together with interest and costs" and the "court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances." A meticulous calculation of a fair or reasonable patent royalty is for all practical purposes a physical impossibility. The field of economics—where a reasonable royalty lies—is not subject to the uncanny precision of mathematical sciences such as astronomy and electronics, since, unfortunately,

46. R. 7.
47. R. 356.
48. R. 6, 16.
49. R. 184-90.
50. The Master based damages on *established royalties* ($28,307.47) which, under the particular facts of this case, he treated as the same as *reasonable royalties*. It is a fact of economic life that an open infringement tends to reduce a patentee's fees from its subsequent licensees who must meet the infringer's competition, and such infringement deters potential licensees from taking a license.

business men do not at all times behave like heavenly bodies or charged particles. To strive for such precision would serve only to defeat the judicial purpose. But, here, we have tangible tools to work with. As stated above, there is evidence of a reasonable royalty of 10% and the Richards-Ganly Report of total sales of products containing vitamin D_3 shows $3,580,824.63.[51] A reasonable royalty, taking all other factors and defendant's profits into consideration, would therefore be $358,082.00. Anything less than this minimum would be a violation of the statute for recovery. Such damages are awarded.

9. The Master's allowance of attorneys fees for plaintiff are approved. The entire record of the case at bar demonstrates it was "exceptional" even in the semantic sense.[52] The Master provided for the computation of interest, as provided for by the statute, in his Conclusion of Law No. 11. There should be no difficulty for counsel to arrive at an acceptable figure, to be included in the monetary judgment that is to be entered. Damages, as stated, interest, attorneys fees and costs are allowed. Each party shall be responsible for one-half the allowance made to the Master.

Submit order.

* * *

MASTER'S FINDINGS OF FACT

The results of an examination of the Record support the findings of fact of the Master.

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51. Defendant's president, Mr. Drew, testified these sales resulted solely because of the additive vitamin D_3. See R 480.

52. Livesay Window Co. v. Livesay Industries, Inc., 5 Cir., 251 F. 2d 469 held a case "exceptional" where from the outset, as in the present case, defendant had taken "a completely untenable position on the validity of the patent." The cases on allowance of attorneys fees could be multiplied by the hundreds both plus and minus depending on the facts of each case.

Most recent announcement: Hardinge Company, Incorporated v. Jones & Laughlin Steel Corp., 3 Cir., 275 F. 2d 37 (writ applied for May 6, 1960).

(A) Findings of fact Nos. 1, 2, 4, 5, 6, 9 are supported by the Record. Defendant did not object to these. They are adopted.

(B) Finding 3: defendant objects. The finding is supported by the Record. The finding is adopted.

(C) Finding 7: both plaintiff and defendant agree the figure of $40,321.41, there stated, should be $28,307.47. This correction is adopted.

(D) Finding 8: defendant objects. The finding is supported by the Record. Defendant's objections are argumentative in nature. The complaint by defendant is, at bottom, the Master gives a different emphasis to the facts found in the evidence from that which the defendant would give. Weighing the inference-fact conclusion of the Master and considering it within the range of reasonable limits, the finding should stand, and it is adopted.

(E) Finding 10: defendant objects. Same comment, here, as made in (D) supra, and also diluting the fact inference of bad faith, the finding is adopted.

(F) Finding 11: defendant objects. Same comment, here, as made in (D) and (E), supra. The finding is adopted.

(G) Finding 12: defendant objects. The findings, here, are supported by the Record. Defendant argues these facts are immaterial and irrelevant to the question of damages. I disagree. The Master's consideration of these facts was not erroneous. The finding is adopted.

THE COURT'S ADDITIONAL FINDINGS OF FACT

For a proper decision in the case at bar it is necessary to make additional findings of fact. These are supported

in the record before the Master; and they sustain the decision, using a reasonable royalty measure after considering defendant's profits, plaintiff has proven damages, as stated in the foregoing opinion, of $358,082.

13. Defendant's president Drew testified costs were so intermingled they could not be segregated.[53]

14. Defendant's Plumaker testified defendant never isolated provitamin D_3 since defendant's process (using plaintiff's patent) of making vitamin D_3 was a continuous one.[54] Because of defendant's lack of records, failure to segregate costs, failure to keep any process cost records, it is not possible to allocate costs or profits to any particular step in the manufacture of vitamin D_3[55]. Plumaker never tried to compute the cost of making provitamin D_3,[56] and defendant's Preusch had trouble finding vitamin D_3 costs; he readily admitted defendant kept no cost records in its Vitamin Division and made no effort to segregate costs.[57] Shanks corroborated this testimony.[58] Defendant's president Drew agreed costs were so intermingled they could not be segregated.[59]

15. Preusch gave as one reason for failure to keep cost records on vitamin D_3 and failure to segregate expenses

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53. R. 483
54. R. 32.
55. R. 310, 326 (Where profits have been so commingled a plaintiff is entitled to a defendant's entire profits. The leading case on a defendant's burden of proof, as well as an apportionment of profits and confusion of profits is Westinghouse Electric & Mfg. Co. v. Wagner Electric & Mfg. Co., 225 U. S. 604. The later case of Levin Bros. v. Davis Mfg. Co., 8 Cir., 72 F. 2d 163, 164 summarizes the rule. See, too, Horvath v. McCord Radiator & Mfg. Co., 6 Cir., 100 F. 2d 326.
56. R. 435.
57. R. 133, 160.
58. R. 294—296
59. R. 483

to this product was that this product was only a small part of defendant's business.[60] Between 1948 and 1956 net annual sales of vitamin D_3 varied between $254,050.10 and $541,579.00, while defendant's entire annual sales varied from $44,516,792 to $88,380,652.[61]

16. Most of the products which contained vitamin D_3 were also sold by defendant without the vitamin D_3.[62]

17. Defendant's profits on its sale of products containing vitamin D_3 were $685,818.90.[63]

18. Watkins of plaintiff's licensing department and with broad experience in this field[64] testified a royalty of 10% of the sale price of defendant's vitamin D_3 is reasonable.[65]

19. Sale prices of vitamin D_3 are described and found in the evidence[66] and the exhibits. Applying a 10% Royalty Rate, using defendant's own prices, to a number of units of vitamin D_3, in fact, sold by defendant a reasonable royalty results.

20. Since defendant's sales of products containing D_3 resulted solely because of the D_3, as even defendant's president Drew testified,[67] the reasonable royalty, in the light of defendant's heavy profits, should be computed on a total sales figure of $3,580,824.63, in an award of damages for plaintiff in the amount of $358,082.

At Wilmington, Delaware
Dated: July 26, 1960

60. R. 366; 144-45
61. PX 8 and 2.
62. R. 65-67, 88, 486.
63. PX 8.
64. R. 180, 200, 221, 239, 247.
65. R. 210, 211, 261.
66. R. 228-29.
67. R. 486.

Opinion of District Court

MEMORANDUM SUR ORDER, OCTOBER 24, 1960.

On the opinions filed[1] each party has submitted proposed orders. Plaintiff's order contains the decisional factors discussed in the final opinion of the Court on the award and damages.[1a] Defendant's order proposes the awarded amount should be lowered to exclude any damages based on defendant's sales of products containing Vitamin D_3 purchased from other parties on which a royalty had already been paid and received by plaintiff; and the proposed order of defendant recites plaintiff is only entitled as general damages for its infringement of the patent the sum of $48,769.59. Defendant's order also proposes any item of allowanace of interest should merely run from the date of this Court's award or judgment. Defendant's order likewise rejects plaintiff's proposed allowance of attorney's fees.

1. Since the filing of the opinion on July 26, 1960 on the damages awarded, a certain stipulation dated October 22, 1959, filed before the Special Master, has been brought to the attention of the Court. A reading of the Court's opinion will show 10% of defendant's total sales of Vitamin D_3 products was taken as a fair measure of plaintiff's general damages because, as stated, a precise or mathematical measurement was not available. The stipulation by both plaintiff and defendant discloses sales of products containing purchased Vitamin D_3 should not have been included in computing damages. Thus, the damage award in the amount of $358,082. should be reduced by $84,000. Such adjusted figure will be contained in the order to be filed.

1 Hartford National Bank and Trust Company, Trustee v. E. F. Drew & Co., Inc., D. C. Del., 133 F. Supp. 648, Aff. 3 Cir., 237 F. 2d 594; D. C. Del. 188 F. Supp. 353.

1a. 188 F. Supp. 353

2. Defendant's proposal as to the interest award is rejected. Plaintiff's is accepted, i.e., interest will be allowed on the main award of damages at a rate to be discussed, *infra*, from the end of each calendar year in which defendant's sales were made, as part of the general damages for defendant's infringement of plaintiff's patent. While defendant argues the circumstances of this case are such there should be a refusal to award any interest, I do not pause to discuss the allowance of interest in the light of the infringement that has occurred in the instant case as viewed by this Court and the Court of Appeals under the circumstances of defendant's tortious conduct. The award of interest, here, is, however, not a punitive device. Allowed interest in this case represents damages for delay in payment and compensation for use of plaintiff's money that should have been included in withheld annual royalty statements which, of course, were never rendered by the infringer. In short, it is moratory interest and not contract or punitive interest.[2]

3. Plaintiff seeks a 6% interest. The statute[3] allows interest, but it fixes no rate. The damage award in infringement situations is "together with interest * * * as fixed by the court." Moratory interest as compensatory for delayed payments has been discussed before.[4] The rate of interest should not exceed a 4% award of prejudgment interest.[5] During the past 20 years a cheap-money period shows

2. Rodgers v. United States, 332 U. S. 371, 68 S. Ct. 5, 92 L. Ed. 3; Billings v. United States, 232 U. S. 261, 285, 34 S. Ct. 421, 58 L. Ed. 596.

3. 35 USCA § 284.

4. Speed v. Transamerica Corporation, D. C. Del., 135 F. Supp. 176, 198 et seq.

5. Equitable considerations must weigh award of prejudgment interest. Cf. Superior Tube Co. v. Delaware Aircraft, D. C. Del., 160 F. Supp. 573; F. M. Fleischmann Lumber Co. v. Resources Corp., D. C. Del., 114 F. Supp. 843, for discussion of interest under Delaware law.

a downward trend of prejudgment interest rates on all federal and state claims. Compensatory character of the award has led to dissatisfaction with the habitual judicial application of the legal rate of 6%. Aside from contract interest setting the rate, or action involving a statutory rate, interest is not allowed as such, but is simply an incident of the measure of the amount of damage caused by delay in payment, which obviously depends on the particular facts of each case.

References are made to money markets to determine rate of interest. As stated by one federal court (per Judge Paul): "I think it plain that to allow interest * * * at six per cent * * * would more than compensate the plaintiffs. It is a matter of common knowledge that for some years past, including this entire period, money has been available at substantially less than six per cent even to the ordinary borrower at banks; and similarly investments promising reasonable safety cannot be found at such a rate."[6] After World War II, the Court of Claims began allowing 4% interest.[7] In Arkansas Valley Ry. v. United States, 107 Ct. Cl. 240, 68 F. Supp. 727, at page 730, the Court of Claims formalized its new approach and elaborated on the reasons underlying it (per Chief Justice Whaley):

> "To make recovery sufficient to comply with the concept of just compensation the plaintiff claims an interest rate of six percent per annum, as the legal rate of interest in the State of Kansas. But there is no statute or ruling fixing any particular rate to be allowed. Since the determination of just compensation

6. City of Danville v. Chesapeake & O. Ry. Co., D. C. W. D. Va., 34 F. Supp. 629, 638-39. See, The New York Times, Oct. 23, 1960, Section 3, Fl.

7. Schaffer v. United States, 104 Ct. Cl. 229, 60 F. Supp. 760; Walker v. United States, 105 Ct. Cl. 533, 64 F. Supp. 135.

under the Fifth Amendment is exclusively a judicial function, it is for the Court to fix upon the rate that it will allow. For some time this Court has, in view of low prevailing rates of interest, limited this rate to four percent."

Another federal law area in which allowance of interest less than 6% has been practiced is in suits to recover excess profits where the figure of 4% interest has been mentioned.[8] A number of Court of Appeals have sanctioned awards of interest less than 6%.[9] District Courts have also approved this development.[10] As early as 1914, state courts were departing from the 6% rate on prejudgment interest because it did not reflect the cost of money and overcompensated plaintiffs for the use of the amount withheld.[11] The same approach has been followed by federal courts in diversity cases.[12]

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8. United States v. United Drill & Tool Corp., D. C. D. C. 81 F. Supp. 171, 172, affirmed 87 U. S. App. D. C. 236, 183 F. 2d 998.

9. United States v. Best, 1 Cir., 212 F. 2d 743; Ring Construction Corp. v. United States, 8 Cir., 209 F. 2d 668, 674; United States v. Edward Valves, Inc., 7 Cir., 207 F. 2d 329; United States v. Abrams, 6 Cir., 197 F. 2d 805, 809; United States v. Bonnell, 9 Cir., 180 F. 2d 145.

10. United States v. Hopkins, D. C. N. D. Ohio, 95 F. Supp. 14, 16 ("3% interest would be better suited to modern times"); United States v. American Metal Co., D. C. N. J., 86 F. Supp. 533, 534-535 (2½% awarded because "defendants did not, and could not, enjoy a six percent return * * *"); United States v. Clark, D. C. Or., 72 F. Supp. 393, 394 (2½% awarded because defendants "should not be charged with higher interest than they have been able to earn on the money").

For still another example of a federal claim upon which 4% interest was allowed in conformity with the rates prevailing in "the money market in general", R. F. C. v. Service Pipe Line Co., 10 Cir., 206 F. 2d 814, 818.

11. John Agnew Co. v. Board of Education, 83 N. J. Eq. 49, 89 A. 1046, 1054-1055; Art Club of Philadelphia v. Heyman & Goodman, 325 Pa. 587, 190 A. 922, 925.

12. Sawyer v. E. F. Drew & Co., D. C. N. J., 113 F. Supp. 527, 528, affirmed 3 Cir., 209 F. 2d 566. And see, Chesapeake & O. Ry. v. Elk Refining Co., 4 Cir., 186 F. 2d 30.

In Austrian v. Williams, D. C. S. D. N. Y., 103 F. Supp. 64 the Court said:

"No attempt here is made to reach a precise amount of interest. In the Court's view, 4% more realistically reflects the overall rate of interest on private debts or the yield on investments during the period in question and is more consonant with an equitable and fair result." 103 F. Supp. at page 118.

* * *

Opinion of District Court

I have decided to make an interest award, but the award must be made based on the facts of the present case and "warrant the exercise of its [the court's] discretionary power". I shall set a rate of interest not exceeding 4% "in order to reach a fair and just result".

4. The award of counsel fees will stand. Likewise the equal division of expenses for the Special Master will not be disturbed. The costs will, as usual, follow the judgment.

The order is entered herewith.

/s/ PAUL LEAHY,
Senior District Judge.

At: Wilmington, Delaware.
Dated: October 24, 1960.

"In making the disposition indicated herein, the Court does so, not on the basis of any equity existing in favor of the defendants in the case proper, but solely on the basis of economic factors during the period in question which warrant the exercise of its discretionary power in order to reach a fair and just result" 31, 105 F. Supp. at page 119.

ORDER AND JUDGMENT OF DISTRICT COURT ENTERED OCTOBER 24, 1960.

This 24th day of October, A. D., 1960, the Court, having received and considered the report of the Special Master, the exceptions of the parties to the report, the briefs and arguments of counsel thereon, and having filed its opinion herein on July 26, 1960, and it having been brought to the attention of the Court, since the filing of said opinion, that sales of products containing purchased vitamin D₂ should not have been included in computing damages and that, therefore, the damage award in the amount of Three Hundred Fifty-eight Thousand Eighty-two Dollars ($358,082.00) should be reduced by Eighty-four Thousand Dollars ($84,000.00), it is, in accordance with said opinion, ORDERED, ADJUDGED and DECREED that judgment be and the same is hereby entered herein on behalf of plaintiffs and against defendant:

1. In the sum of Two Hundred Seventy-four Thousand Eighty-two Dollars ($274,082.00), with interest thereon at the annual rate of four per centum (4%) from the end of each calendar year in which defendant's sales were made, as general damages for defendant's infringement of said patent.

2. In the sum of Twenty-two Thousand Seven Hundred Fifty Dollars ($22,750.00), as reasonable counsel fees, and One Thousand Seven Hundred Seventy Dollars and Sixteen Cents ($1,770.16) for plaintiffs' disbursements, said sums being the sums actually expended by plaintiffs for the same.

3. In the sum of Seven Thousand Eight Hundred Ninety-five Dollars and Ninety-four Cents ($7,895.94), for

one-half of the Special Master's fee, the remaining one-half of said cost to be paid by plaintiffs.

4. For the costs of this proceeding exclusive of the Special Master's fee.

/s/ PAUL LEAHY,
Senior Judge.

Appendix B

OPINION OF THE COURT OF APPEALS, MAY 9, 1961

PER CURIAM.

The plaintiff sued the defendant for patent infringement. The trial court found the paent valid and infringed. This Court affirmed, 237 F.2d 59[illegible] (1956). The case then went back for the determination of damages. A master was appointed who heard the testimony and the master, in turn, reported to the district court. The district court entered a judgment that satisfiedneither party. 188 F. Supp. 353 (D. Del. 1960), opinioramended, 188 F. Supp. 347 (D. Del. 1960). Plaintiff sas it should have more. The defendart says it should be rquired to pay less. The case was very thoughtfully considered by the district court who knew both the facts and the lw involved. The judge exercised his discretion in makins the award he did and we are satisfied that what was dne was well within the trial court's discretion.

The judgment of the district ourt will be affirmed.